

Message Text

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21

ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-10 ISO-00 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 NEA-10 /070 R

DRAFTED BY FAS/TOD:RSCHROETER:STM

APPROVED BY EB/OF/FPD:PDTAYLOR

ITP/FAS:GOFRASER

FAS/AO:WHORBALY

G&F/FCA/FAS:DNOVOTNY

TOD/FAS:JBESHOAR

AGRIC:ERBEVIS

EUR/RPE:ECASEY

EB/OT/TA:TO'HERRON

EB/OT/TA:WGBARRACLOUGH

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R 202332Z OCT 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EAGR, EC, US

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SUBJECT: EC CONCERNS OVER U.S. GRAINS ARRANGEMENTS

1. FAS/USDA OFFICIALS RECENTLY MET WITH EC AGATTACHE DELANGE AT HIS REQUEST TO DISCUSS U.S. UNDERSTANDINGS ON GRAINS WITH POLAND, ROMANIA, AND JAPAN. DELANGE EXPRESSED CONCERN THAT THESE UNDERSTANDINGS COULD COMMIT A LARGE PROPORTION OF U.S. EXPORTABLE SUPPLIES, POSSIBLY RESULTING IN INADEQUATE SUPPLIES FOR EC CUSTOMERS. HE STATED THAT CONCERNS OVER AVAILABILITY OF U.S. FEED GRAIN SUPPLIES WOULD ENCOURAGE THE EC TO REINSTATE A WHEAT DENATURING PREMIUM. AT THE SAME TIME, HOWEVER, HE INDICATED THAT COST-CONSCIOUS MEMBER STATES (I.E., GERMANY) WOULD BE VERY HESITANT TO EMBRACE A NEW DENATURING PROGRAM.

2. DELANGE WAS ASSURED BY FAS OFFICIALS THAT U.S. UNDERSTANDINGS WITH POLAND, ROMANIA, AND JAPAN DO NOT INCLUDE ANY PURCHASE OR SUPPLY ACCESS GUARANTEES. THEY CAN BE SUMMARIZED AS INVOLVING BEST ENDEAVOR ASSURANCES ON THE PART OF THE U.S. TO MEET IMPORT NEEDS AND ASSURANCES BY THE OTHER PARTIES TO SUPPLY FORWARD ESTIMATES ON THEIR NEEDS. THIS EXCHANGE OF ASSURANCES IS DESIGNED TO IMPROVE MARKET DEMAND INFORMATION AVAILABLE TO GROWERS IN THE U.S.

AND ELSEWHERE AND THEREBY IMPROVE CONDITIONS FOR BALANCING DEMAND AND SUPPLY. FAS OFFICIALS ADDED THAT IN THE SPECIAL CASE OF THE USSR WHICH HAS BEEN THE PRIMARY DESTABILIZING FORCE IN WORLD GRAIN MARKETS, THE NEGOTIATIONS CURRENTLY UNDERWAY ARE AIMED AT IMPROVING THE CONDITIONS OF TRADE AND REDUCING PRICE FLUCTUATIONS RESULTING FROM LARGE, UNEXPECTED SOVIET PURCHASES WHICH ARE TO DETRIMENT OF OTHER BUYERS. SOVIET PURCHASES WILL BE AT MARKET PRICES, WITH NO SUBSIDIES INVOLVED.

3. FAS OFFICIALS MENTIONED TO DELANGE THAT, IN CONTRAST TO U.S. GRAINS ARRANGEMENTS WITH OTHER COUNTRIES, THE COMMUNITY'S DRAFT AGREEMENT WITH EGYPT PROVIDES FOR SUPPLY/PURCHASE COMMITMENTS AND A PRICE BRACKET. DELANGE SHRUGGED OFF THIS POINT, STATING THAT HE PERSONALLY HAD DOUBTS ABOUT THE WISDOM OF NEGOTIATING SUCH AN AGREEMENT AND FELT THAT THE PRICE BRACKET COULD PROVE LIMITED OFFICIAL USE

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TO BE A VERY COSTLY CONCESSION ON THE PART OF THE EC. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, SUPPLIES, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE249392
Document Source: CORE
Document Unique ID: 00
Drafter: RSCHROETER:STM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750364-0834
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751039/aaaabjcf.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <09 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC CONCERNS OVER U.S. GRAINS ARRANGEMENTS
TAGS: ETRD, EAGR, US, EEC
To: EC BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006